centran Corporation

Annual Report 1976

CLEVELAND PUBLIC LIBRARY
BUSINESS INF. BUR.
CORPORATION FILE

Centran Corporation is a financial holding company with assets exceeding $2.3 billion. Through the 112 offices of its affiliated banks and consumer finance companies, Centran provides financial services in 11 states and in key international centers.

Commercial Bank Affiliates

Central Bank
Central National Bank of Cleveland

Centran Bank
Centran Bank of Akron

Richland Bank
The Richland Trust Company, Mansfield, Ohio

Farmers Bank
The Farmers and Savings Bank, Loudonville, Ohio

Sutton Bank
The Sutton State Bank, Attica, Ohio

Consumer Finance Company Affiliates

Colonial Financial Services
Colonial Financial Service, Inc.
Birmingham, Alabama

Major Financial Services
Major Finance Corporation
Silver Spring, Maryland

Peoples Financial Services
Peoples Investment Company
Louisville, Kentucky

Protective Financial Services
Protective Loan Corporation
Albany, New York

International Facilities

Central Cleveland International Bank
New York, New York

Paris Representative Office

Mexico City Representative Office

Nassau Branch, The Bahamas

Annual Report 1976

Centran Corporation
800 Superior Avenue, Cleveland, Ohio 44114
Telephone: (216) 687-1200 Telex: 885-664

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"To Shape Our Own Destiny" . . . Supplement

Capital Stock:
Centran Corporation's Common Stock is traded Over-the-Counter and is included in the NASDAQ system under the symbol, "CENB." Price quotations appear in the National List.
The Corporation's Preferred Stock is not publicly traded.

Annual Meeting:
Centran Corporation's Annual Meeting of Shareholders will be held Tuesday, April 19, 1977, beginning at 9:30 a.m. at the Corporation's headquarters, Central National Bank Building, 800 Superior Avenue, Cleveland, Ohio.

Transfer Agent:
Central National Bank of Cleveland
800 Superior Avenue
Cleveland, Ohio 44114

Co-Transfer Agent:
The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, New York 10015

Independent Auditors:
Ernst & Ernst
1300 Union Commerce Building
Cleveland, Ohio 44115

Highlights

For the Year	**1976**	**1975**
Income Before Security Transactions	$ 16,655,000	$ 15,113,000
Security Gains (Losses) Net of Taxes	(203,000)	798,000
Net Income	16,452,000	15,911,000
Return on Capital:		
Income Before Security Transactions	12.01%	11.58%
Net Income	11.87%	12.19%
Average Common Shares Outstanding	3,840,020	3,836,639
Per Common Share		
Income Before Security Transactions	$ 4.30	$ 3.90
Security Gains (Losses) Net of Taxes	(.05)	.21
Net Income	4.25	4.11
Cash Dividends Declared	1.80	1.70
Common Capital	36.85	34.46
At Year-End		
Total Assets	$2,372,847,000	$2,121,992,000
Total Deposits	1,740,647,000	1,638,282,000
Net Loans	1,106,649,000	1,095,518,000
Common Shares Outstanding	3,849,924	3,836,639
Common Shareholders	11,793	11,936
Employees	2,518	2,554

Chairman's Letter

John A. Gelbach

Dear Shareholders and Employees:

Centran Corporation has just completed its fifth year as a multi-bank holding company. And, I am pleased to report that Centran's 1976 earnings reached record levels for the fifth consecutive year.

For the year ended December 31, 1976, income before security transactions amounted to $16,655,000 compared with $15,113,000 in 1975. Earnings of $4.30 per common share in 1976 were 10.3% higher than the $3.90 earned in 1975.

Net income was $16,452,000, or $4.25 per common share, compared with $15,911,000, or $4.11 per share, in 1975.

In keeping with its intention that dividends should reflect earnings growth, the Board of Directors declared an increase in the regular quarterly cash dividend on March 10, 1977—from 45 cents per common share to 47½ cents per share. The dividend is payable April 15, 1977, to shareholders of record on April 1, 1977.

This action raised Centran's indicated annual dividend rate to $1.90 per common share from $1.80. The annual rate had been increased from $1.70 per share by similar action last year.

While the nation's economy in 1976 evidenced continuing recovery from the deep recession of 1975, interest rates trended downward throughout the year and there was reduced demand for credit in Centran's principal market areas.

Centran's prime rate declined from 7% at the beginning of the year to 6¼% at year-end. Average commercial loans were more than $100 million lower than in 1975, and there was relatively little growth in demand deposits.

The Corporation's interest differential—the principal element of its earnings—was adversely affected by these developments and declined from $81.1 million in 1975 to $77.2 million (on a taxable equivalent basis). A rate-volume analysis of the $3.9 million decrease shows that $2.5 million resulted from lower interest rates and $1.4 million from reduced volume.

Continued

Income from sources other than interest totaled $20.7 million for the year and was $6.1 million higher than in 1975. Unusually large trading account income, particularly in the fourth quarter, accounted for nearly all of this increase. This culminated 30 successive months in which trading account profits have been earned, dating back to a reorganization of the investment function in mid-year 1974.

Operating expenses, exclusive of the provision for loan losses, totaled $59.0 million in 1976 and were 7.7%, or $4.2 million, higher than in the preceding year. Salaries and employee benefits accounted for $2.4 million of the increase in operating expenses, nearly all of which was related to operations of Central National Bank.

The provision for loan losses was $7.6 million, compared with $12.7 million in 1975, reflecting a reduced volume of loans charged off. The 1976 loan-loss provision exceeded net charge-offs for the year by $2.9 million.

The format of this year's annual report is different from those of prior years in that we've provided considerably more information about the operations of your Corporation. We have tried to do this in a concise manner with a minimum of technical language in the analyses of year-to-year changes in financial statements.

The Securities and Exchange Commission now requires that bank holding companies make far greater statistical disclosure in Form 10K reports to the Commission. Although these reports are available to shareholders and the general public upon request, we have voluntarily included substantial portions of such data in this annual report in the belief that the information should be readily available to shareholders and the financial community.

With the thought that you are primarily interested in the facts and the record, we have omitted from the following pages any non-financial discussion. To keep you fully informed, we have prepared a non-financial supplement, which is enclosed.

This supplement, "To Shape Our Own Destiny," consists of a series of candid reports by the members of a Policy Committee that was formed with the realignment of our management structure during the latter half of 1976 to broaden the top management group and decentralize the responsibility for Centran's profitable growth.

The year 1976 was one of analysis, research, reorganization, and fine tuning. In some ways it was a make-ready year . . . a year to become positioned for the challenges and the opportunities in the decades ahead. Although the banking industry still is confronted with excessive regulation, considerable competition, and the impact of ever-changing national and international economics, I believe that your management is equal to the task.

I'm sure that the corporate philosophy and the individual comments contained in the supplement will be of interest to you. It is the enthusiasm and the confidence expressed by these men, supported by a dedicated and competent staff, which give me the assurance that we will manage our destiny.

Sincerely,

John A Gelbach

John A. Gelbach
Chairman and Chief Executive

March 18, 1977

Management's Discussion and Analysis of Operations

Analysis of Changes in Net Income—1974-1975

The seriously-depressed economy of 1975 resulted in substantially reduced demand for credit and in a downward trend in interest rates during most of the year. High unemployment and increasing numbers of business failures were also characteristic of the year. Because of these conditions, most banks experienced unusually large loan losses.

Centran deliberately curtailed asset growth to strengthen capital ratios and restructured its portfolio of earning assets to increase liquidity. These objectives were attained. The ratio of average capital to assets increased from 5.78% in 1974 to 6.28% in 1975. In the same period, average capital increased from $121 million to $131 million, total earning assets were relatively constant, and liquidity was increased. Despite this self-imposed constraint to limit growth in earning assets, interest differentials were improved in 1975, whether expressed in dollars or as percentages of earning assets.

A decline of $16.5 million in Centran's interest income resulted from an average decrease of $14.5 million in earning assets and from lower interest rates, which declined from 9.89% in 1974 to 9.02% in 1975 (stated on a taxable equivalent basis).

The decline in interest rates, combined with a lower volume of borrowings, resulted in a reduction of $22.2 million in interest expense for the year. Of this amount, $19.6 million resulted from a lower composite rate of interest paid on borrowings and interest-bearing deposits, and $2.6 million was due to a $23.5 million reduction in such funds.

Despite the $14.5 million decline in average earning assets, the interest differential increased from $75.3 million in 1974 to $81.1 million in 1975 (on a taxable equivalent basis).

Income from all other sources was $2.5 million, or 20.3% higher than in 1974. Principal sources of this increased revenue were (1) trust fees, $343,000; (2) trading account profits, $835,000, largely resulting from improved techniques in dealing in U.S. Treasury securities; (3) International Department income from larger and more profitable volumes of transactions in acceptances, letters of credit, and foreign exchange, $311,000; and (4) modest increases in numerous other income classifications.

Operating expenses (exclusive of the loan-loss provision) were only 3.2% higher than in 1974—the result of rigid control of all expense classifications. Salaries and employee benefits were $1.4 million, or

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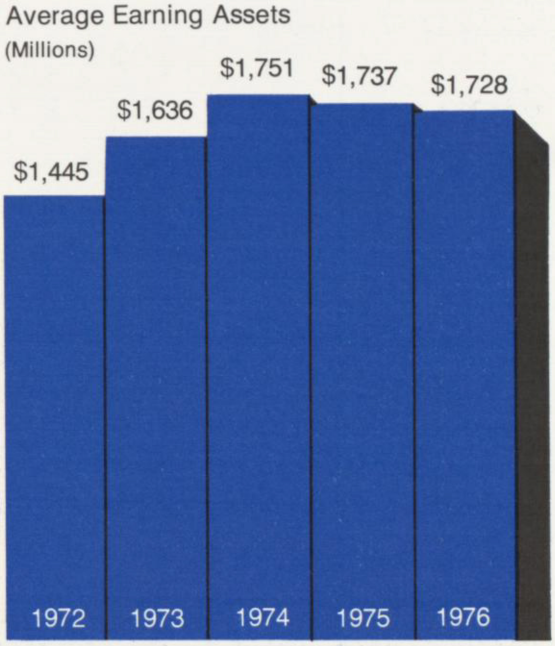


Analysis of Changes in Net Income—1974-1975 (continued)

5% higher than in 1974. This increase largely reflects merit and promotional salary increases, in that the number of employees was held nearly constant.

Certain other classifications of expense were materially reduced: stationery and printing, $249,000; postage and shipping, $58,000; and advertising, $180,000. Nominal increases were experienced in most other expense classifications except taxes (other than those on income), which were $786,000 higher than those in the preceding year. This amount included increases in taxes on payrolls, deposits, and capital stock.

The provision for federal income tax on operating earnings dropped to $275,000 from $1,630,000 in 1974 as a result of a decline in income subject to tax, an increase in investment tax credits, and an increase in nontaxable interest income from municipal securities.

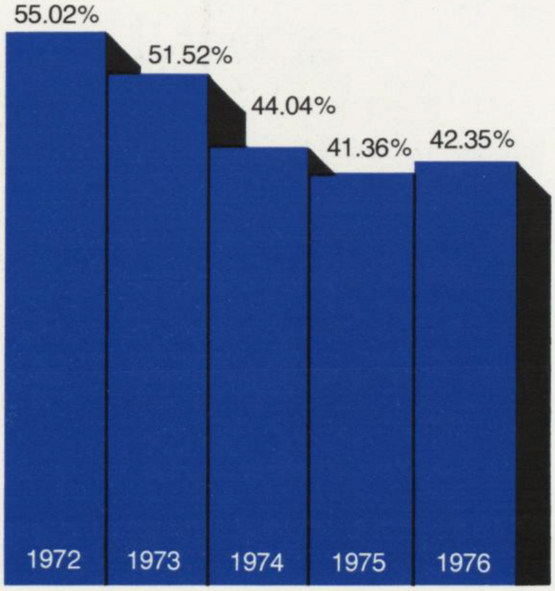
The loan-loss provision in 1975 was $12.7 million, or $6.9 million higher than in 1974 and $731,000 more than net charge-offs for the year 1975. Before 1975, amounts charged to operating expenses as loan-loss provisions for Centran's bank affiliates were determined in accordance with a five-year moving average formula prescribed by bank regulatory authorities. Loan losses in 1975 would not have been fully reflected in the Corporation's income statement if determined in accordance with that formula. Accordingly, income in 1975 was charged with an amount in excess of net charge-offs.

Security gains net of taxes amounted to $798,000, compared with $32,000 in 1974. Market conditions provided opportunities to take profits in excess of $1.2 million in the second quarter of 1975. Reinvestment of the proceeds from sales of securities materially increased liquidity. In the fourth quarter of the year, security losses after taxes amounted to $390,000, with sale proceeds reinvested at higher yields.

Income before security transactions amounted to $15,113,000, compared with $14,897,000 earned in 1974, an increase of $216,000. Operating earnings per common share were $3.90, compared with $3.85 in 1974, an increase of 1.3%.

Net income was $15,911,000, compared with $14,929,000 in 1974, and was equivalent to $4.11 per common share. This reflected an increase of 6.5%, or $.25 per share.

Dividend Payout Ratio



Analysis of Changes in Net Income—1975-1976

During the first half of 1976 many of the principal indices that measure major segments of the nation's economy evidenced a healthy recovery from the deep recession of 1975. A late-summer pause in the expansion of business activity brought apprehension that the recovery might abort. Growth in the nation's economy was resumed in the latter months of the year, but at reduced rates. Unemployment remained stubbornly high throughout the year.

As in 1975, interest rates trended downward during most of 1976. Concurrently, there was reduced demand for credit in Centran's principal market areas. Many of its corporate customers restricted or reduced their lines of credit, borrowings, and compensating balances. As a result, Centran did not experience growth in average loans or demand deposits in 1975 or 1976.

During 1975, growth of Centran's earning assets was deliberately curtailed to strengthen capital ratios and to increase liquidity. These objectives were achieved as discussed heretofore in the analysis of changes in net income between 1975 and 1974.

In 1976, Centran's liquid investment position and improved capital structure could have supported a higher level of banking activity with consequent improvement in earnings. Although the prime rate was declining, it remained substantially higher than the commercial paper rate. This brought about a reduced demand for credit that adversely affected the Corporation's interest differential—the principal element of its earnings.

The ratio of assets to capital (leverage), which had been intentionally reduced from 17.3 to 1 in 1974 to 15.9 to 1 in 1975, continued to decline in 1976, reaching a low point of 14.1 to 1 in the second quarter.

At mid-year, Centran instituted a program to take advantage of the low level of interest rates in money markets by increasing its short-term borrowings. Although this move increased the leverage ratio, these funds were profitably invested in short-term Treasury securities, and short-term time deposits in a select group of banks without appreciable risk or reduction in liquidity.

Investments acquired in this program had short maturities that maintained the Corporation's liquid position. As expected, the interest spread between yields on these investments and the rates paid for additional borrowings was substantially lower than those customarily achieved. Nevertheless, this program made a significant contribution to earnings.

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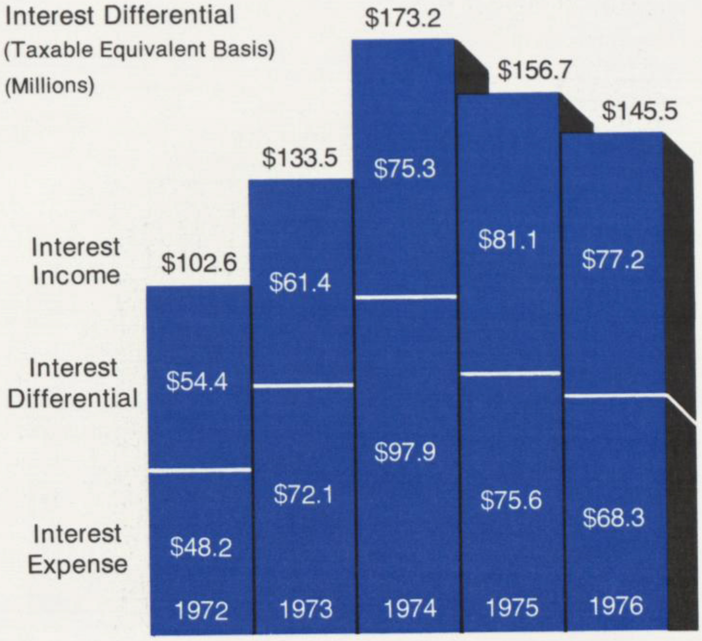


Analysis of Changes in Net Income—1975-1976 (continued)

The impact of this program on the principal balance sheet items involved is apparent in the following schedule (averages in millions of dollars):

	1976			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Borrowed Funds	$ 158	$ 143	$ 220	$ 428
U.S. Treasury Securities	77	91	146	226
Due from Banks—Time	55	46	217	271
Total Earning Assets	1,649	1,620	1,718	1,923

The favorable results of this program are reflected in interest differentials shown below on a taxable equivalent basis in thousands of dollars:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Interest Income	$35,817	$34,477	$36,511	$38,713
Interest Expense	16,056	15,672	17,303	19,303
Differential	$19,761	$18,805	$19,208	$19,410

Interest rate differentials were reduced from 4.82% in the first quarter of this year to 4.02% in the fourth quarter, partly from this program but primarily from lower yields on other earning assets. The prime rate declined from 7% at the beginning of the year to 6¼% at year-end.

The interest differential of $77,184,000 earned in 1976 was nearly $4 million lower than that earned in 1975. A rate-volume analysis of this decline is shown in the following schedules in thousands of dollars, with interest income stated on a taxable equivalent basis:

	Year		Increase (Decrease)
	1976	1975	
Interest Income	$145,518	$156,727	$(11,209)
Interest Expense	68,334	75,603	(7,269)
Differential	$ 77,184	$ 81,124	$ (3,940)

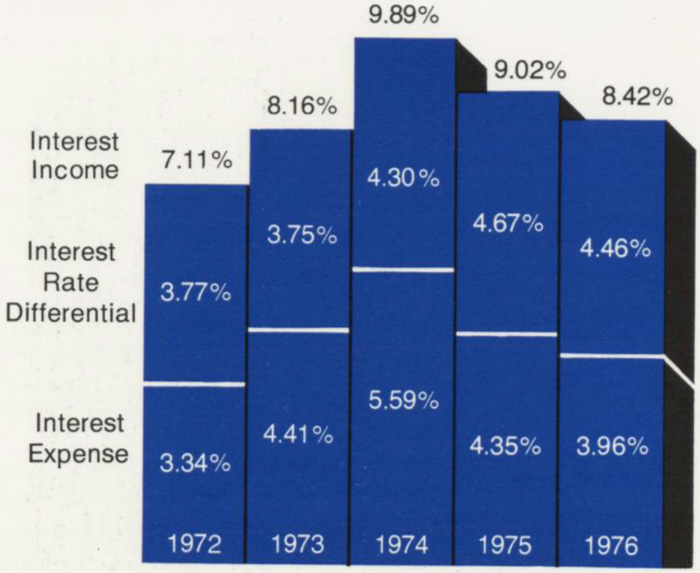
	Change Due To	
	Rate	Volume
Interest Income	$(8,096)	$(3,113)
Interest Expense	(5,580)	(1,689)
Differential	$ (2,516)	$(1,424)

The decline in the interest differential for the full year of 1976 resulted primarily from lower yields on earning assets. These were not offset by commensurate decreases in interest expense since time deposits of individuals are relatively insensitive to short-term changes in interest rates.

Interest differential components for the full year are shown below as percentages of earning assets:

	Year		Increase (Decrease)
	1976	1975	
Composite Yield on Earning Assets	8.42%	9.02%	(.60)%
Interest Expense as a % of Earning Assets	3.96	4.35	(.39)
Interest Rate Differential	4.46%	4.67%	(.21)%

Interest Rate Differential
(Taxable Equivalent Basis)



Analysis of Changes in Net Income—1975-1976 (continued)

Trust fees of $4,753,000 earned in 1976 were $533,000 higher than those of 1975. To a large extent, trust fees are based on the market value of securities held in customers' accounts. The general improvement in market prices of securities during 1976 was a material factor in Centran's increase in trust revenues.

Trading account income amounted to $6,847,000 compared with $763,000 in 1975. Throughout 1976, interest rates and yields on U.S. Treasury securities pursued an erratic downward trend that caused an equally erratic upward movement in prices. These market conditions provided financial institutions with extraordinary opportunities for trading account profits. It is unlikely that comparable opportunities will recur in 1977.

During 1976, an unusually large amount of Centran's income was derived from trading account transactions, particularly in the fourth quarter. This resulted from application of Centran's trading account principles and practices, which are inherently conservative, to an extremely strong bond market.

In the "economic pause" which occurred during the summer and fall, interest rates drifted downward and bond prices rose sharply. Centran cautiously began to take relatively small positions in the securities market, accumulating profits which were sufficient to support larger positions as market conditions developed in the fourth quarter. Trading account income totaled nearly $5 million in the fourth quarter of 1976.

Trading profits have been generated in every month since reorganization of the department in mid-year 1974.

Other income declined to $9,128,000 from $9,600,000 in 1975. Income included under this caption is derived for the most part from service charges on deposit and loan accounts, International Department income other than interest, and data processing services. No single classification of the many income accounts consolidated under this caption accounted for a material portion of the variance between the two years.

Operating expenses, exclusive of the provision for loan losses, totaled $59.0 million In 1976 and were 7.7%, or $4.2 million, higher than in the preceding year.

Salaries and employee benefits, which in combination account for more than one-half of Centran's operating expense (exclusive of loan-loss provisions), amounted to $31.1 million and were $2.4 million, or 8% higher than in 1975. Nearly all this increased expense was related to the operations of Central National Bank, Centran's principal affiliate, and resulted from a restructuring of its salary and employee benefits program.

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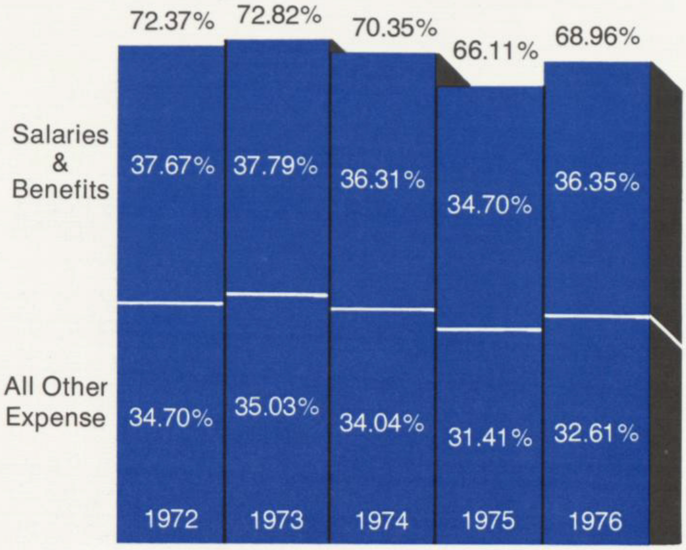
Operating Expense as a Percent of Income
(adjusted for Loan-Loss Provision and Interest Expense)



Analysis of Changes in Net Income—1975-1976 (continued)

It was management's regretful decision to discontinue contributions to Central's excellent profit-sharing plan in 1976, rather than to make unacceptable amendments to it as required by the Employee Retirement Income Security Act of 1974.

To offset discontinuance of contributions to the profit-sharing plan, a thrift feature was incorporated into it whereby participants' savings, deposited in trust, are matched in part by the Bank. In addition, a 10% increase in salary was given to employees.

All operating expenses other than salaries and employee benefits increased by $1.9 million, as follows: (1) net occupancy expense, $231,000; (2) equipment expense, $474,000; (3) fees, $793,000; and (4) insurance, $359,000. A decrease of $317,000 in charge-card processing expenses more than offset minor increases in many other expense classifications.

The provision for loan losses is broadly based on an evaluation of economic conditions, volume of loans outstanding, experience in prior years, and adequacy of reserve balances. In addition, particular attention is given to nonperforming loans and to those where doubt exists as to borrowers' abilities to meet terms of loan agreements. All such loans are thoroughly reviewed, both objectively and subjectively, by two or more senior officers in the determination of the provision for loan losses.

The 1976 provision was $7.6 million, compared with $12.7 million in 1975. Although the provision for loan losses in 1976 was materially lower than that made in 1975, it was $2.9 million greater than net charge-offs for the year. The 1976 year-end reserve balance was increased by approximately the same amount. The ratio of the reserve for loan losses to loans outstanding at December 31, 1976, was 1.57%, compared with 1.33% at year-end 1975.

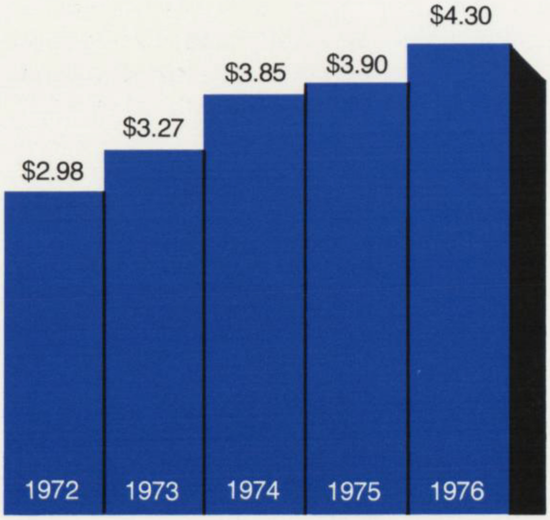
The provision for income taxes on operating earnings rose to $2,300,000 from $275,000 in 1975, principally due to an increase in income subject to the Federal income tax. Additional information relative to income taxes is included in the notes to financial statements.

Income before security transactions amounted to $16,655,000 for the year, compared with $15,113,000 in 1975. These amounts are equivalent to $4.30 per common share for 1976 and $3.90 for 1975, and reflect an increase of 10.3%.

Security losses of $203,000 were realized in 1976, in contrast with gains of $798,000 in 1975.

Net income of $16,452,000 for the year was $541,000 higher than the $15,911,000 earned in 1975. Net income per common share was equivalent to $4.25 in 1976 and $4.11 in 1975, reflecting an increase of 3.4%.

Income Before Security Transactions
Per Common Share



Centran
Corporation
800 Superior Avenue
Cleveland, Ohio 44114

To the Shareholders:

We are pleased to announce that the Annual Meeting of Shareholders will be held on Tuesday, April 19, 1977, beginning at 9:30 A.M. Eastern Standard Time at the Corporation's headquarters, Central National Bank Building, 800 Superior Avenue, N.E., Cleveland, Ohio. You are cordially invited to have coffee with the Directors and Officers, beginning at 9 A.M.

As described in the accompanying Notice and Proxy Statement, Directors will be elected at the meeting. Whether or not you presently plan to attend this meeting, it is important that you exercise your right to vote. We urge you to sign, date and mail the accompanying Proxy promptly in the return envelope which is also enclosed. So doing will not limit your right to vote in person at the meeting.

Sincerely,

JOHN A. GELBACH
Chairman and President

March 22, 1977

Centran
Corporation
800 Superior Avenue
Cleveland, Ohio 44114

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

April 19, 1977

The Annual Meeting of Shareholders of Centran Corporation will be held at the Corporation's headquarters, Central National Bank Building, 800 Superior Avenue, N.E., Cleveland, Ohio on Tuesday, April 19, 1977 beginning at 9:30 A.M., Eastern Standard Time, for the following purposes:

(1) To fix the number of Directors at 20 and to elect the nominees listed in the accompanying Proxy Statement;

(2) To ratify the appointment of independent auditors; and

(3) To transact such other business as may properly come before the meeting and any adjournment or adjournments thereof.

Only holders of record of common and preferred stock of Centran Corporation at the close of business on February 28, 1977, are entitled to vote at the meeting. A complete list of such holders is on file at the office of the Secretary of the Corporation, 800 Superior Avenue, Cleveland, Ohio.

By Order of the Board of Directors

HUBERT P. MARTIN,
Secretary

March 22, 1977

SHAREHOLDERS ARE URGED TO DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE TO WHICH NO POSTAGE NEED BE AFFIXED. IF YOU ATTEND THE MEETING, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON.

Centran
Corporation
800 Superior Avenue
Cleveland, Ohio 44114

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS, APRIL 19, 1977

This Proxy Statement is furnished in connection with the solicitation by the management of Centran Corporation ("Centran") of proxies for the Annual Meeting of Shareholders of Centran on April 19, 1977, and at all adjournments thereof. This Proxy Statement, the form of Proxy, and Centran's Annual Report were first mailed to shareholders on or about March 22, 1977. The close of business on February 28, 1977 has been fixed as the record date for the determination of shareholders entitled to vote. Each share of common stock entitles its owner to one vote. The number of shares of common stock outstanding on February 28, 1977, was 3,856,399 (excluding 180,240 Treasury shares). Each share of Series B Preferred Stock entitles its owner to one vote. The number of outstanding shares of Series B Preferred Stock outstanding on February 28, 1977, was 9,700. Each share of Series C Preferred Stock entitles its owner to three votes. The number of outstanding shares of Series C Preferred Stock on February 28, 1977, was 17,778. There is no Series A Preferred Stock. All outstanding common and preferred shares will be voted as a single class.

ELECTION OF DIRECTORS

At the meeting, the shares represented by the proxies will, unless authority is withheld, be voted to fix the number of Directors at 20, each to hold office until the next annual meeting or until his successor is duly elected and qualified and for the election of the 20 nominees named below. Your proxy cannot be voted for a greater number of persons than the nominees named below. The nominees, with the exception of Messrs. Bennett and Higley, are all members of the present Board of Directors. If, by reason of any unexpected occurrence, any one or more of the nominees named below should not be available for election, the proxies will be voted for the election of such substitute nominees as the management may propose. (1)

Name	Principal Occupation	Director Since(2)	Number of Centran Common Shares Beneficially Owned on January 14, 1977
Otes Bennett, Jr.	President and Chief Executive, The North American Coal Corporation (Mining and marketing of coal)	(new nominee)(4)	200
Joseph A. Boyd	President, Harris Corporation (Manufacturer of communications and information handling equipment)	1973	100
Frederick R. Eckley	Former President, The Ohio Bell Telephone Company	1966(3)	203
Robert L. Fairbank	Former President, Towmotor Corporation (Manufacturer of industrial trucks)	1966	648
John A. Gelbach	Chairman and Chief Executive, Central National Bank of Cleveland; Chairman, President and Chief Executive, Centran Corporation	1969	10,150
William F. Hauserman	President, Hauserman, Inc. (Manufacturer of movable walls, cabinetry, and accessories for commercial, industrial, and school buildings)	1972	100
Albert M. Higley, Jr.	Chairman and Treasurer, The Albert M. Higley Company (General Contractor)	(new nominee)(4)	400
J. Robert Killpack	Executive Vice President - Finance, Eaton Corporation (Manufacturer of automotive, materials handling, and industrial and consumer products)	1971	1,000
Charles S. Lawrence, III	President, Central National Bank of Cleveland; Vice President, Centran Corporation; President, Central Cleveland International Bank	1972	2,510
George S. Lockwood, Jr.	Managing Partner, Ohio Gas and Oil Development Co. (Developer of natural gas and petroleum reserves)	1965	1,708(5)
John J. Loftus	Executive Vice President, Republic Steel Corporation (Manufacturer of steel)	1975	200
Morton L. Mandel	Chairman of the Board and Chief Executive Officer, Premier Industrial Corporation (Manufacturer and supplier of industrial maintenance products, firefighting accessories and electronic components)	1968	1,500

Name	Principal Occupation	Director Since(2)	Number of Centran Common Shares Beneficially Owned on January 14, 1977
Harry T. Marks	Former Chairman of the Board and Chief Executive Officer, Ferro Corporation (A diversified, multinational manufacturer of specialty materials for industry)	1963	203
Robert D. McCreery	President, H. L. McCreery and Son, Inc. (Industrial Distributor)	1960	19,870(6)
Thomas J. Quigley	Partner, Squire, Sanders & Dempsey (Attorneys at Law)	1975	100
Thomas A. Quintrell	Partner, Arter & Hadden (Attorneys at Law)	1970	3,380
Karl H. Rudolph	President and Chief Executive, The Cleveland Electric Illuminating Co. (Electric utility)	1967	365
Donald G. Stevens	Senior Vice President, The Standard Oil Company (Ohio) (Integrated oil company)	1971	125
Renold D. Thompson	Executive Vice President - Operations, Oglebay Norton Company (Mining of iron ore, coal, and silica sand, transportation and cargo dock service on the Great Lakes, and specialized services and products to the steel industry)	1976(4)	100
Ernest M. Wuliger	President, Ohio-Sealy Mattress Manufacturing Co. (Bedding Manufacturer)	1976	500

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(1) Mr. Gregory S. DeVine, who served as a Director of Centran since 1971 and as a Director of Central National Bank ("CNB") since 1960 will not stand for re-election as a Director in conformance with the Board's policy regarding the retirement of Directors. Mr. John J. Dwyer resigned in March 1976 to join the Board of Directors of the Federal Reserve Bank of Cleveland.

(2) All nominees showing dates of 1971 or prior thereto were elected Directors of Centran in 1971 and were elected Directors of CNB in the year shown.

(3) Mr. Eckley was first elected as a Director of CNB on January 1, 1963. He resigned on June 11, 1964, and was re-elected on March 10, 1966.

(4) During the past five years Mr. Bennett has been President and Chief Executive of The North American Coal Corporation and Mr. Higley has been Chairman and Treasurer of the Albert M. Higley Company. Since 1973 Mr. Thompson has been Executive Vice President-Operations for the Oglebay Norton Company; from 1970 to 1973 he was a Senior Vice President of the same corporation.

(5) This does not include 698 shares owned by Mr. Lockwood's wife in which Mr. Lockwood disclaims beneficial interest.

(6) This does not include 174 shares owned by Mr. McCreery's wife and 690 shares owned by his minor child; Mr. McCreery disclaims beneficial interest in such shares.

REMUNERATION OF AND TRANSACTIONS WITH OFFICERS AND DIRECTORS

The following table shows the aggregate direct remuneration for services in all capacities paid by Centran and its affiliates during 1976 to (i) each person who was one of the three highest paid officers and who received aggregate direct remuneration in excess of $40,000, (ii) each director of Centran whose aggregate direct remuneration from Centran and its affiliates exceeded $40,000 and (iii) all officers and directors of Centran as a group. The table also sets forth the estimated annual retirement benefits of such individuals.

Name of Individual or Number of Persons in Group	Capacities in Which Remuneration Was Received	Aggregate Direct Remuneration(2)	Estimated Annual Retirement Benefits Upon Normal Retirement(1)
John A. Gelbach	Chairman of the Board, President, and Chief Executive Officer, Centran Corporation, and Chairman of the Board and Chief Executive Officer, Central National Bank of Cleveland	$171,507	$ 77,882
Charles S. Lawrence, III	Vice President, Centran Corporation, and President, Central National Bank of Cleveland	$124,836	$ 67,759
Thomas W. Harris	Treasurer, Centran Corporation, and Senior Vice President and Controller, Central National Bank of Cleveland	$ 67,144	$ 36,149
All Directors and Officers of Centran, as a group (numbering 26)		$570,952	$228,517

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(1) Estimated under provisions of the retirement plans of certain affiliates of Centran as in effect on December 31, 1976 and on the assumption that each individual will continue

STOCK OPTION PLAN

(Centran's 1973 Stock Option Plan)

The following table shows as to certain officers and directors and as to all officers and directors as a group (i) the amount of options exercised since December 31, 1975, and (ii) the amount of shares subject to all unexercised options as of February 28, 1977:

Centran Corporation Common Shares $8 Par Value	John A. Gelbach	Charles S. Lawrence, III	Thomas W. Harris	All Officers And Directors of Centran as a Group
Options exercised 12-31-75 to 2-28-77:				
Shares Purchased	1,385	2,000	0	4,385
Aggregate Purchase Price	$24,583.75	$35,500.00	—	$ 77,833.75
Aggregate Market Value on Date of Purchase	$35,317.50	$45,750.00	—	$104,567.50
Unexercised Options at 2-28-77:				
Options granted 7-25-73:				
Shares	4,000	2,400	1,800	8,200
Option Price	$25.25	$25.25	$25.25	$25.25
Options granted 12-11-75:				
Shares	4,615	2,000	2,500	12,115
Option Price	$17.75	$17.75	$17.75	$17.75
Total Unexercised	8,615	4,400	4,300	20,315
Average Option Price	$21.23	$21.84	$20.89	$20.78

No options were granted during the one year period ended December 31, 1976.

In addition to the above, on February 28, 1977 an aggregate of 51,425 shares were subject to unexercised options held by Directors and Officers of Centran's affiliates. The average option price per share of all unexercised options is $20.65.

APPOINTMENT OF AUDITORS

The Board of Directors recommends approval of the appointment of Ernst & Ernst as independent auditors for Centran for the year ending December 31, 1977. Ernst & Ernst has acted as the independent auditors of Central National Bank of Cleveland (Centran's principal subsidiary) for the past ten years and in the same capacity for Centran since its inception. Approval of the selection of Ernst & Ernst for the year 1977 will require the affirmative vote by the holders of a majority of the outstanding stock of Centran.

in the employment of such affiliate until normal retirement at age 65 at his current salary and that the retirement plans will continue in their present form.

(2) Includes amounts paid pursuant to the cash portion of CNB's Combined Profit Sharing Plan and amounts paid pursuant to CNB's Cash Incentive Compensation Plan. Under the Cash Incentive Compensation Plan, certain officers of CNB, selected by the Executive Compensation and Organization Committee of the CNB Board of Directors, are eligible to participate in distributions from the operating earnings of CNB based upon each participant's contribution to CNB's growth and earnings.

In December, 1975, the CNB Board approved the amendment and restatement of the Combined Profit-Sharing Plan (Prior Plan) to be effective January 1, 1976, and thereafter to be known as the Employees' Savings and Investment Plan (Plan). Upon the effective date of the Plan all interests under the Prior Plan became fully vested and are payable upon the employee's termination. The interests under the Plan attributable to CNB contributions under the Plan and Prior Plan at November 30, 1976 for the three highest paid officers of Centran and for all Officers and Directors of Centran as a group were:

Name	Amount
John A. Gelbach	$ 74,061
Charles S. Lawrence, III	$ 34,568
Thomas W. Harris	$ 88,253
All Officers and Directors as a group	$248,414

The Albert M. Higley Company billed CNB $118,108 during the fiscal year ended December 31, 1976 for services rendered as a general contractor. Mr. Albert M. Higley, Jr. is the Chairman and Treasurer of The Albert M. Higley Company.

Some of Centran's Directors and Officers were customers of one or more of its subsidiary banks during 1976 and had transactions with such banks in the ordinary course of business. In addition, some of such Directors are officers of or have a relationship with corporations, or are members of partnerships, which were customers of such subsidiary banks during 1976 and had transactions with such banks in the ordinary course of business. All loans included in such transactions were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans to other borrowers, and did not involve more than normal risks of collectibility or present other unfavorable features. It is likely that similar transactions will be effected during 1977.

Representatives of Ernst & Ernst, independent auditors for Centran for the year ended December 31, 1976, are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions.

The Audit Committee of the Board of Directors of Centran consists of Mr. W. F. Hauserman, Chairman, and Messrs. G. S. Lockwood, Jr. and J. J. Loftus as members.

OTHER MATTERS

The cost of the solicitation of proxies will be borne by Centran. In addition to the use of the mails, proxies may be solicited by personal interview, telephone and telegraph, and it is anticipated that banks, brokerage houses, and other institutions, nominees, or fiduciaries will be requested to forward the soliciting material to their principals and to obtain authorization for the execution of proxies.

A proxy may be revoked at any time insofar as it has not been exercised by giving written notice to Centran or stating the revocation in open meeting. The presence of any shareholder at the meeting will not operate to revoke his proxy.

Unless authority is withheld, shares represented by the enclosed proxy will be voted at the meeting to fix the number of and to elect Directors as set forth under "Election of Directors" above. If a shareholder has specified how the shares represented thereby are to be voted on the proposal to approve the appointment of independent auditors, they will be voted in accordance with such specification. If no specification is made, such shares will be voted in favor of such proposal. If any other matters shall properly come before the meeting, such shares will be voted in accordance with the judgment of the persons named as proxies. The management does not know of any other matters which will be presented for action at the meeting.

A copy of Centran's Annual Report, including financial statements, for the year ended December 31, 1976 is enclosed.

By Order of the Board of Directors.

HUBERT P. MARTIN, *Secretary*

March 22, 1977

Market and Dividend Information

The common stock of Centran Corporation is traded in the over-the-counter market, and the preferred shares are not traded. The high asked and low bid prices of the common shares, as reported by NASDAQ, and the dividends paid on such shares in each quarterly period during the past two years were:

Quarter	Dividend	High	Low
1975 First	$.425	$20½	$14¾
Second	.425	19⅞	18⅜
Third	.425	20⅜	17½
Fourth	.425	18¾	17⅛
1976 First	.425	22¼	17⅛
Second	.45	23⅝	20⅜
Third	.45	23⅝	22⅜
Fourth	.45	27¼	22¾

Form 10-K Available to Shareholders

Shareholders may obtain a copy of Form 10-K, filed with the U.S. Securities and Exchange Commission, upon written request to: Mr. Thomas W. Harris, Treasurer, Centran Corporation, 800 Superior Avenue, Cleveland, Ohio 44114. This Report will be available without charge after March 31, 1977.

Report of Ernst & Ernst, Independent Auditors

Board of Directors
Centran Corporation

We have examined the consolidated balance sheets of Centran Corporation and affiliates as of December 31, 1976, and December 31, 1975, and the related consolidated statements of income, capital and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Centran Corporation and affiliates at December 31, 1976, and December 31, 1975, and the consolidated results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Ernst

E&E

Cleveland, Ohio
January 31, 1977

Consolidated Statement of Income

Centran
Corporation

	1976	1975
	In Thousands of Dollars	
Interest Income:		
Commercial Loans	$ 43,215	$ 58,557
Installment Loans	31,944	32,215
Portfolio Mortgage Loans	18,074	18,768
Funds Sold	5,190	4,234
Due from Banks—Time	9,399	2,325
U.S. Treasury Securities	8,979	7,245
Federal Agency Securities	1,354	5,716
State and Municipal Securities	13,299	13,868
Other Securities	543	645
Trading Account Securities	1,202	312
Total Interest Income	133,199	143,885
Interest Expense:		
Savings Deposits	20,626	17,719
Certificates—Individuals	17,992	17,848
Certificates—Others	14,067	24,517
Borrowed Funds	12,736	12,606
Capital Notes	950	950
Debentures	1,963	1,963
Total Interest Expense	68,334	75,603
Interest Differential	64,865	68,282
Trust Fees	4,753	4,220
Trading Account Income	6,847	763
Other Income	9,128	9,600
Income Net of Interest Expense	85,593	82,865
Operating Expense:		
Salaries	26,682	23,969
Employee Benefits	4,436	4,786
Net Occupancy	6,479	6,248
Equipment	3,350	2,876
Provision for Loan Losses	7,611	12,694
Other	18,080	16,904
Total Operating Expense	66,638	67,477
Income Before Income Taxes and Security Transactions	18,955	15,388
Income Taxes Thereon	2,300	275
Income Before Security Transactions	16,655	15,113
Security Gains (Losses) Less Tax Reduction of $187 in 1976 and Tax of $697 in 1975	(203)	798
Net Income	$ 16,452	$ 15,911
Per Common Share:		
Income Before Security Transactions	$ 4.30	$ 3.90
Net Income	4.25	4.11

See notes to financial statements.

Consolidated Balance Sheet

Assets	December 31, 1976	December 31, 1975
	In Thousands of Dollars	
Earning Assets:		
Commercial Loans	$ 647,194	$ 624,692
Installment Loans	231,274	230,466
Portfolio Mortgage Loans	245,827	255,095
	1,124,295	1,110,253
Less Reserve for Loan Losses	17,646	14,735
Net Loans	1,106,649	1,095,518
Funds Sold	136,640	154,482
Due from Banks—Time	306,836	68,549
U.S. Treasury Securities	84,347	107,025
Federal Agency Securities	21,268	54,493
State and Municipal Securities	270,367	336,040
Other Securities	6,432	9,089
Trading Account Securities	117,533	3,067
Total Earning Assets	2,050,072	1,828,263
Cash and Due from Banks	243,679	218,989
Premises and Equipment	19,840	20,260
Customers' Liability on Acceptances	27,026	22,018
Real Estate Acquired in Loan Settlements	513	487
Other Assets	31,717	31,975
Total Assets	$2,372,847	$2,121,992
Liabilities		
Deposits and Borrowed Funds:		
Demand Deposits	$ 770,849	$ 624,792
Savings Deposits	477,571	412,836
Certificates—Individuals	302,957	289,614
Certificates—Others	170,809	294,232
Other Time Deposits	18,461	16,808
Total Deposits	1,740,647	1,638,282
Borrowed Funds	393,923	259,102
Capital Notes—4.75% due December 1, 1989	20,000	20,000
Debentures—7.85% due May 15, 1997	25,000	25,000
Total Deposits and Borrowed Funds	2,179,570	1,942,384
Liability on Acceptances	27,135	22,100
Other Liabilities	22,055	23,062
Total Liabilities	2,228,760	1,987,546
Capital:		
Preferred Stock	2,203	2,231
Common Stock	32,293	32,293
Surplus	65,938	65,348
Retained Earnings	48,958	40,256
Less—Common Stock in Treasury, at Cost	5,305	5,682
Total Capital	144,087	134,446
Total Liabilities and Capital	$2,372,847	$2,121,992

See notes to financial statements.

Consolidated Statement of Changes in Financial Position

	1976	1975
	In Thousands of Dollars	
Source of Funds		
From Operations:		
Net Income	$ 16,452	$ 15,911
Items Not Requiring Funds:		
Provision for Depreciation and Amortization	1,882	1,616
Provision for Loan Losses	7,611	12,694
Deferred Taxes	(823)	357
Other	1,817	1,463
Total from Operations	26,939	32,041
Increases in Liabilities:		
Deposits	102,365	—0—
Borrowed Funds	134,821	47,715
Liability on Acceptances	5,035	—0—
Decreases in Assets:		
Net Loans	—0—	122,255
Funds Sold	17,842	—0—
Securities	8,232	—0—
Cash and Due from Banks	—0—	42,923
Customers' Liability on Acceptances	—0—	24,576
Treasury Shares Issued Upon Exercise of Stock Options	276	—0—
Total	$295,510	$269,510
Application of Funds		
Increases in Assets:		
Net Loans	$ 18,742	$ —0—
Funds Sold	—0—	74,345
Due from Banks—Time	238,287	30,502
Securities	—0—	65,460
Cash and Due from Banks	24,690	—0—
Customers' Liability on Acceptances	5,008	—0—
Additions to Premises and Equipment—Net	1,462	3,089
Other Assets	90	9,013
Decreases in Liabilities:		
Deposits	—0—	39,151
Liability on Acceptances	—0—	24,546
Other Liabilities	144	16,737
Cash Dividends Declared	7,059	6,667
Series C Preferred Stock Returned and Cancelled	28	—0—
Total	$295,510	$269,510

See notes to financial statements.

Consolidated Statement of Capital

	Preferred Stock	Common Stock	Surplus	Retained Earnings	Treasury Stock
			In Thousands of Dollars		
Balance at January 1, 1975	$ 2,231	$32,293	$64,848	$31,512	$ 5,682
Net Income for the Year				15,911	
Cash Dividends Declared:					
Series B Preferred Stock $5.22 Per Share				(50)	
Series C Preferred Stock $5.16 Per Share				(94)	
Common Stock $1.70 Per Share				(6,523)	
Transfer from Retained Earnings to Surplus			500	(500)	
Balance at December 31, 1975	2,231	32,293	65,348	40,256	5,682
Net Income for the Year				16,452	
Cash Dividends Declared:					
Series B Preferred Stock $5.22 Per Share				(50)	
Series C Preferred Stock $5.16 Per Share				(92)	
Common Stock $1.80 Per Share				(6,917)	
Return and Cancellation of 370 Shares of Series C Preferred Stock	(28)				
Transfer from Retained Earnings to Surplus			550	(550)	
Issuance of 13,285 Common Shares Under Stock Option Plan			40	(141)	(377)
Balance at December 31, 1976	$ 2,203	$32,293	$65,938	$48,958	$ 5,305

See notes to financial statements.

Accounting Policies.
Consolidation. The consolidated financial statements include the accounts of Centran and all affiliates.

Reclassification. Certain items in the financial statements for 1975 have been reclassified to conform with the 1976 classifications.

Intangibles. Amounts assigned to customer lists in connection with acquisitions are amortized by the straight-line method over periods of four years or five years; amounts assigned to goodwill are amortized over forty years.

Income. Interest on loans and securities is recognized in the period in which it is earned by bank affiliates and in the period collected by finance company affiliates; trust fees and income from certain other sources are recognized, for the most part, on a cash collected basis in accordance with industry practice.

Foreign Exchange. Items comprising the foreign exchange position are valued at current rates of exchange, and related gains or losses resulting therefrom are included in other income.

Other. For other accounting policies, see related notes for: Reserve for Loan Losses; Securities; Premises and Equipment; Pension Plan; and Income Tax.

Discontinued Operations. On August 14, 1975, the Board of Directors of Centran Corporation authorized Management to discontinue operations of the Ben Gordon Finance Co., Inc., and to liquidate its assets. On October 10, 1975, most of the loans of the Company were sold at their approximate book value. On December 31, 1976, the final liquidation was completed, without loss, and its insurance affiliate, Investors Income Insurance Co., became a direct affiliate of Centran.

Reserve for Loan Losses. Affiliates base their loan-loss provisions upon experience, modified by current evaluation of the collectibility of loans in their portfolios. The reserve for loan losses for federal income tax purposes was $20,045,000 at December 31, 1976, and $19,906,000 at December 31, 1975. The differences between these amounts and those reported in the financial statements reflect additional reserves accumulated under the internal revenue code and regulations.

Changes in the reserve are shown in the following schedule:

	Bank Affiliates	Finance Company Affiliates	Consolidated
	In Thousands of Dollars		
Balance at January 1, 1975	$12,445	$1,428	$13,873
Reserves Acquired by Purchase		131	131
Charged to Operating Expense	12,002	692	12,694
Recoveries	743	154	897
Loans Charged Off	(11,845)	(1,015)	(12,860)
Balance at December 31, 1975	13,345	1,390	14,735
Reserves Acquired by Purchase		267	267
Charged to Operating Expense	6,968	643	7,611
Recoveries	2,633	206	2,839
Loans Charged Off	(6,716)	(847)	(7,563)
Reserve Sold		(243)	(243)
Balance at December 31, 1976	$16,230	$1,416	$17,646

Securities. Investment securities are carried at cost adjusted for amortization of premiums and accretion of discounts computed by the straight-line method. Gains or losses on the sale of investment securities, computed by using adjusted costs of the specific certificates sold, are shown separately in the statements of income. Trading account securities are carried at the lower of cost or market, and interest thereon is included in interest income, while gains or losses are stated separately in the statement of income.

Securities with a book value of $171,568,000 at December 31, 1976 were pledged to secure trust and public funds on deposit.

The approximate market value of securities was $499,887,000 at December 31, 1976 and $487,812,000 at December 31, 1975.

Premises and Equipment. Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are determined primarily by the straight-line method at rates estimated to absorb the cost over the useful lives of the assets. Leasehold improvements are amortized over their estimated useful lives or the terms of the respective leases, whichever is shorter. Estimated useful lives are: buildings 40-50 years; leasehold improvements 10-30 years; equipment and furniture 3-12 years. Maintenance, repairs, renewals and minor improvements are charged to expense as incurred, whereas major improvements are capitalized. Net gain or loss on properties sold or otherwise disposed of is included in operating expense. Book values of properties sold or otherwise retired and related allowances for depreciation are eliminated from the accounts at the time of disposal.

	Cost	Accumulated Depreciation and Amortization	Net Book Value
	In Thousands of Dollars		
Land	$ 3,783	$ —0—	$ 3,783
Buildings	9,542	4,456	5,086
Leasehold Improvements	10,104	3,584	6,520
Equipment and Furniture	12,290	7,839	4,451
Total at December 31, 1976	$35,719	$15,879	$19,840
Land	$ 3,495	$ —0—	$ 3,495
Buildings	9,438	4,192	5,246
Leasehold Improvements	10,035	3,223	6,812
Equipment and Furniture	11,701	6,994	4,707
Total at December 31, 1975	$34,669	$14,409	$20,260

Borrowed Funds. The caption, "Borrowed Funds," includes the following items:

	December 31, 1976	December 31, 1975
	In Thousands of Dollars	
Federal Funds Purchased	$138,657	$158,682
Securities and Loans Sold Under Agreements to Repurchase	162,987	49,165
Commercial Paper	18,478	12,670
Notes Payable Within One Year	70,092	33,416
Notes Payable After One Year	3,709	5,169
	$393,923	$259,102

Debentures. The related indenture provides that annual sinking fund payments of $900,000 commence in 1982. Retained earnings of $45,409,000 were available for cash dividends at December 31, 1976, under cash dividend restrictions of the indenture.

Capital Stock. The Corporation is authorized to issue 500,000 shares of Serial Preferred Stock, without par value, of which 9,700 shares designated Series B, and 17,778 shares (after return and cancellation of 370 shares pursuant to an April, 1976 settlement relating to the 1974 acquisition agreement) designated Series C, were outstanding at December 31, 1976. At December 31, 1975 there were outstanding 9,700 shares of Series B and 18,148 shares of Series C. The Series B and Series C shares have voting rights and liquidation values of $150.00 and $135.00, respectively, and each share is convertible into three common shares. Each Series B share has a stated value of $85.50, an annual cumulative dividend rate of $5.22, and is redeemable at the option of the shareholder at $150.00 after December 1, 1979. Each Series C share has a stated value of $77.25, an annual cumulative dividend rate of $5.16, and a required redemption of $135.00 on June 1, 1979. The aggregate liguidation value of the Preferred Stock is $1,652,000 over the stated value thereof.

Authorized Common Stock is 7,500,000 shares of $8.00 par value. After deduction of 186,715 shares in treasury there were 3,849,924 common shares outstanding at December 31, 1976. After deduction of 200,000 shares in treasury there were 3,836,639 common shares outstanding at December 31, 1975.

Stock Options. Under the 1973 Stock Option Plan, common shares held in treasury are reserved for sale to certain officers of the Corporation or affiliates at a price equal to the fair market value of the shares on the date options are granted. Qualified options expire five years from the date granted and will not become exercisable while there is outstanding an earlier exercisable option to the same optionee carrying a higher option price. Nonqualified options expire ten years from the date granted and may be exercised by an optionee even though he holds an earlier exercisable option carrying a higher option price. Generally, not more than half of the options granted become exercisable in any one year beginning at the date of grant.

At December 31, 1976 there were outstanding 78,415 options at an aggregate option price of $1,600,000 of which 27,700 were exercisable at $25.25 per share and 34,715 exercisable at $17.75 per share. At December 31, 1975 there were outstanding 92,700 options at an aggregate option price of $1,853,000 of which 27,700 were exercisable at $25.25 per share.

Pension Plans. Pension plans cover substantially all employees and are funded by annual contributions to pension trusts. Pension expense amounted to $1,515,000 in 1976 and $1,340,000 in 1975. Based on 1976 actuarial studies the market value of pension fund assets approximated vested benefits under the plans, and the unfunded past service costs amounted to approximately $5,300,000 at January 1, 1976.

Leases. Rental expense for office space and equipment amounted to $4,508,000 and $4,396,000 in 1976 and 1975, respectively. The future rental commitments as of December 31, 1976 for all noncancelable leases are as follows:

	Office Space	Equipment	Total
	In Thousands of Dollars		
1977	$ 2,745	$ 928	$ 3,673
1978	2,709	175	2,884
1979	2,626	162	2,788
1980	2,509	162	2,671
1981	2,368	162	2,530
1982—1986	11,121	5	11,126
1987—1991	10,421	—0—	10,421
1992—1996	9,918	—0—	9,918
1997—and later	6,557	—0—	6,557
	$50,974	$1,594	$52,568

Continued

The main office of Central National Bank was leased in 1969 for a 30-year period, with options to renew the lease for two 15-year periods. In addition, the Bank has the option to purchase the building at certain specified times for an amount not less than lessor's cost. If the Bank does not exercise its option to purchase by 1999, it shall receive from the lessor a 25 percent interest in the building.

Income Taxes. For income tax purposes, certain items of income and expense are reported in taxable years other than those in which such amounts are reported in financial statements. Net income is not affected by this practice, as tax consequences resulting therefrom are reflected in the tax provision. Investment tax credits are accounted for by the flow-through method.

The following schedule presents a reconciliation of the Corporation's effective Federal Income Tax rate as compared to the statutory rate of 48%:

	Amount		Percent of Pre-Tax Income	
	1976	1975	1976	1975
	In Thousands of Dollars			
Income tax at 48% of income before income taxes and security transactions	$9,098	$7,386	48.0%	48.0%
Dividend and interest income not subject to Federal income tax	(6,399)	(6,646)	(33.8)	(43.2)
Excess provision of prior years	—0—	(328)	—0—	(2.1)
Investment tax credit	(493)	(307)	(2.6)	(2.0)
Other (net)	94	170	.5	1.1
Income tax provision	$2,300	$ 275	12.1%	1.8%

Composition of the Provision for Income Taxes for the years ended December 31, 1976 and December 31, 1975 was as follows:

	1976	1975
	In Thousands of Dollars	
Current		
Domestic Federal Income Tax	$2,294	$(657)
Foreign Taxes	829	575
Deferred		
Domestic Federal Income Tax	(823)	357
Total	$2,300	$ 275

The components of deferred income taxes for the years ended December 31, 1976 and December 31, 1975 result from the use of the following:

	1976	1975
	In Thousands of Dollars	
Provision for Loan Losses	$(1,503)	$(327)
Cash Basis Tax Reporting	509	433
Other	171	251
Total	$ (823)	$ 357

Income per Common Share. Income per common share, after adjustment for preferred dividends, is based on 3,840,020 average shares outstanding in 1976, and 3,836,639 in 1975.

Commitments and Contingent Liabilities. In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to extend credit, future contracts, guarantees, etc., which are not reflected in the financial statements, including $9,314,000 of standby letters of credit outstanding at December 31, 1976. No material losses are anticipated as a result of any of these types of transactions.

In addition to routine litigation in the ordinary course of business, there are lawsuits pending which involve claims for substantial monetary damages. While it is impossible to predict with certainty the ultimate legal and financial responsibility in these lawsuits, it is management's opinion that these claims should not have a material effect on the consolidated financial statements.

Unaudited Quarterly Results. The following is the summarized quarterly operating results (in thousands of dollars except for per share figures):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1976				
Gross Income	$35,843	$34,974	$38,725	$44,385
Interest Differential	16,010	15,539	16,595	16,721
Income Before Security Transactions	3,529	3,256	4,163	5,707
Net Income	3,239	3,352	4,188	5,673
Per Common Share:				
Income Before Security Transactions	.91	.84	1.07	1.48
Net Income	.83	.87	1.08	1.47
1975				
Gross Income	$42,365	$38,711	$38,989	$38,403
Interest Differential	17,649	17,114	16,815	16,704
Income Before Security Transactions	3,921	2,948	4,071	4,173
Net Income	3,948	4,157	4,023	3,783
Per Common Share:				
Income Before Security Transactions	1.01	.76	1.05	1.08
Net Income	1.02	1.07	1.04	.98

The quarterly operating results for the year ended December 31, 1975 have not been subjected to a limited review by our independent auditors.

Supplementary Financial Data

Investment Portfolio

Book value of the investment portfolio and trading account, at December 31 in each of the past five years, is set forth in the following table:

	1976	1975	1974	1973	1972
	In Thousands of Dollars				
U. S. Treasury	$ 84,347	$107,025	$ 96,800	$107,420	$142,311
Federal Agency	21,268	54,493	99,398	35,653	31,122
State and Municipal	270,367	336,040	227,448	259,574	260,144
Other	6,432	9,089	9,906	11,438	10,431
Total	$382,414	$506,647	$433,552	$414,085	$444,008
Trading Account	$117,533	$ 3,067	$ 1,011	$ 16,511	$ 9,104

The maturity distribution, book value, par value, market value and tax equivalent yield of the investment securities portfolio, at December 31, 1976, are shown in the following table:

	Book Value							
	1 Year Or Less	After 1 thru 5	After 5 thru 10	After 10 Years	Total	Par Value	Market Value	Tax Equivalent Yield (a)
	Dollars in Thousands							
U. S. Treasury	$41,554	$38,958	$ 3,835	$ —0—	$ 84,347	$ 84,313	$ 85,480	6.77%
Federal Agency	13,299	6,885	1,084	—0—	21,268	21,149	21,398	6.12
State and Municipal	37,649	43,624	104,447	84,647	270,367	263,717	269,472	9.04
Other	601	1,050	250	4,531	6,432	8,893	5,946	4.03
Total	$93,103	$90,517	$109,616	$89,178	$382,414	$378,072	$382,296	8.25%
% of Total	24.3%	23.7%	28.7%	23.3%	100.0%			

(a) *Composite yields are calculated on the basis of costs and effective yields weighted for the scheduled maturity of each security. A 48% tax rate has been assumed in calculating tax equivalent yields on State and Municipal Securities. The amount of adjustment for calculation of the above yields was $11,587,000.*

The following table shows the average term to maturity by classification of investment securities of the Corporation at December 31 in each of the past five years:

	1976	1975	1974	1973	1972
	In Years				
U. S. Treasury	1.4	1.2	1.8	1.9	2.0
Federal Agency	1.5	1.3	3.1	2.7	3.0
State and Municipal	7.6	5.8	7.7	8.0	8.1
Other	8.5	6.7	7.2	6.5	7.5
Total	5.9	4.4	5.3	5.9	5.3

At December 31, 1976, the concentration of obligations of individual states and their political subdivisions exceeding 10% of the Corporation's capital were: Ohio $59,342,000 (including $9,083,000 city of Columbus); California $23,593,000 (including $7,809,000 city of Los Angeles); Pennsylvania $15,308,000. In addition, the obligations of New York were $13,859,000 (including $50,000 city of New York).

Continued

Supplementary Financial Data *(Continued)*

Consolidated Statement of Income (a)	1976	1975	1974	1973	1972
			In Thousands of Dollars		
Interest Income:					
Commercial Loans	$ 43,215	$ 58,557	$ 80,783	$ 54,752	$ 34,613
Installment Loans	31,944	32,215	28,889	20,407	17,028
Portfolio Mortgage Loans	18,074	18,768	18,292	16,712	16,114
Funds Sold	5,190	4,234	6,230	6,340	1,732
Due from Banks—Time	9,399	2,325	3,986	2,015	1,401
U.S. Treasury Securities	8,979	7,245	5,113	6,143	6,073
Federal Agency Securities	1,354	5,716	3,854	1,760	1,863
State and Municipal Securities	13,299	13,868	12,992	12,608	11,877
Other Securities	543	645	657	675	597
Trading Account Securities	1,202	312	366	463	375
Total Interest Income	133,199	143,885	161,162	121,875	91,673
Interest Expense:					
Savings Deposits	20,626	17,719	16,650	16,397	15,181
Certificates—Individuals	17,992	17,848	18,903	14,317	11,781
Certificates—Others	14,067	24,517	37,302	24,479	14,462
Borrowed Funds	12,736	12,606	22,079	13,980	4,713
Capital Notes	950	950	950	950	950
Debentures	1,963	1,963	1,963	1,963	1,117
Total Interest Expense	68,334	75,603	97,847	72,086	48,204
Interest Differential	64,865	68,282	63,315	49,789	43,469
Trust Fees	4,753	4,220	3,877	3,812	3,641
Trading Account Income	6,847	763	(72)	(231)	85
Other Income	9,128	9,600	8,317	7,300	7,002
Income Net of Interest Expense	85,593	82,865	75,437	60,670	54,197
Operating Expense:					
Salaries & Employee Benefits	31,118	28,755	27,392	22,926	20,416
Provision for Loan Losses	7,611	12,694	5,839	4,176	3,009
Other Operating Expenses	27,909	26,028	25,679	21,256	18,808
Income Taxes	2,300	275	1,630	(170)	250
Total Operating Expenses	68,938	67,752	60,540	48,188	42,483
Income Before Security Transactions	16,655	15,113	14,897	12,482	11,714
Security Transactions	(389)	1,495	61	234	790
Applicable Income Taxes	(186)	697	29	112	367
Security Transactions After Taxes	(203)	798	32	122	423
Net Income	$ 16,452	$ 15,911	$ 14,929	$ 12,604	$ 12,137

Yields on Earning Assets (b) (c)	1976	1975	1974	1973	1972
Commercial Loans	7.77%	8.79%	10.93%	8.18%	6.20%
Installment Loans	14.17	13.80	12.82	11.48	11.37
Portfolio Mortgage Loans	7.28	7.19	6.97	6.74	6.59
Funds Sold	5.57	6.18	10.53	8.96	5.17
Due from Banks—Time	6.36	7.66	10.28	8.94	5.50
U.S. Treasury Securities	6.64	6.94	6.00	5.53	5.46
Federal Agency Securities	6.66	7.69	7.23	6.21	6.24
State and Municipal Securities	9.33	9.42	9.15	8.43	8.28
Other Securities	5.73	6.16	6.20	5.30	6.15
Trading Account Securities	6.95	6.69	7.72	6.28	5.80
Composite Yield	8.42	9.02	9.89	8.16	7.11
Effective Interest Rates Paid (b)					
Savings Deposits	4.56%	4.47%	4.34%	4.18%	3.90%
Certificates—Individuals	6.06	6.13	6.66	5.72	5.22
Certificates—Others	5.96	7.28	10.42	7.71	5.29
Borrowed Funds	5.35	6.26	9.88	8.15	4.47
Capital Notes	4.75	4.75	4.75	4.75	4.75
Debentures	7.85	7.85	7.85	7.85	7.85
Composite Rate Paid	5.39	5.95	7.56	6.13	4.69
Interest Rate Differential (b) (c)	4.46%	4.67%	4.30%	3.75%	3.77%
Ratios (b)					
Return on Capital (d)	11.87%	12.19%	12.31%	11.29%	11.11%
Return on Assets (d)	.80	.77	.71	.65	.70
Dividend Payout Ratio (e)	42.35	41.36	44.04	51.52	55.02
Operating Income/Gross Income	10.82	9.54	8.60	9.40	11.44
Capital As A Percent of:					
Assets	6.70	6.28	5.78	5.78	6.30
Loans	13.46	11.25	9.89	10.20	11.47
Deposits	8.73	8.02	7.40	7.18	7.53
Per Common Share					
Income Before Security Transactions (f)	$ 4.30	$ 3.90	$ 3.85	$ 3.27	$ 2.98
Net Income (f)	4.25	4.11	3.86	3.30	3.09
Dividends Declared	1.80	1.70	1.70	1.70	1.70
Book Value at year-end (g)	36.85	34.46	32.05	29.94	28.38
Average Shares Outstanding	3,840,020	3,836,639	3,836,639	3,815,640	3,930,547

(a) *Data of affiliates acquired in purchase transactions are included since dates of acquisition.*

(b) *Based on average balances.*

(c) *Stated on a taxable equivalent basis.*

(d) *Based on net income.*

(e) *Based on net income and dividends declared per common share.*

(f) *Based on average shares outstanding and income net of preferred dividends.*

(g) *Based on shares outstanding at each year-end.*

Continued

Average Consolidated Balance Sheet (a)
(Computed principally on average daily balances)

	1976	1975	1974	1973	1972
			In Thousands of Dollars		
Commercial Loans	$ 556,036	$ 666,185	$ 738,815	$ 669,346	$ 557,895
Installment Loans	225,466	233,462	225,268	177,727	149,712
Portfolio Mortgage Loans	248,356	260,910	262,265	247,886	244,565
Funds Sold	93,198	68,499	59,145	70,742	33,472
Due from Banks—Time	147,745	30,366	38,759	22,541	25,476
U.S. Treasury Securities	135,213	104,398	85,181	111,185	111,320
Federal Agency Securities	20,334	74,294	53,295	28,342	29,870
State and Municipal Securities	274,042	283,006	273,016	287,746	275,746
Other Securities	9,469	10,474	10,601	12,747	9,703
Trading Account Securities	17,912	5,275	5,040	7,544	6,742
Total Earning Assets	1,727,771	1,736,869	1,751,385	1,635,806	1,444,501
Less Reserve for Loan Losses	17,531	15,767	13,611	12,898	11,645
Cash and Due from Banks	270,713	257,827	261,619	242,760	244,585
Other Assets	88,481	98,487	97,657	64,296	56,931
Total Assets/Liabilities	$2,069,434	$2,077,416	$2,097,050	$1,929,964	$1,734,372
Demand Deposits	$ 589,462	$ 590,519	$ 599,714	$ 583,416	$ 553,142
Savings Deposits	452,365	396,096	383,829	392,435	389,078
Certificates—Individuals	296,874	291,128	283,708	250,478	225,788
Certificates—Others	236,041	336,928	357,907	317,315	273,615
Other Time Deposits	13,984	13,498	14,264	11,404	9,712
Total Deposits	1,588,726	1,628,169	1,639,422	1,555,048	1,451,335
Borrowed Funds	237,857	201,267	223,521	171,590	105,353
Capital Notes	20,000	20,000	20,000	20,000	20,000
Debentures	25,000	25,000	25,000	25,000	14,276
Other Liabilities	59,231	72,440	67,867	46,685	34,160
Capital	138,620	130,540	121,240	111,641	109,248

(a) *Data of affiliates acquired in purchase transactions are included since dates of acquisition.*

Percentage Distribution of Average Consolidated Balance Sheet

	1976	1975	1974	1973	1972
Commercial Loans	26.87%	32.07%	35.23%	34.68%	32.17%
Installment Loans	10.90	11.24	10.74	9.21	8.63
Portfolio Mortgage Loans	12.00	12.55	12.51	12.84	14.10
Funds Sold	4.50	3.30	2.82	3.67	1.93
Due from Banks—Time	7.14	1.46	1.85	1.17	1.47
U.S. Treasury Securities	6.53	5.03	4.06	5.76	6.42
Federal Agency Securities	.98	3.58	2.54	1.47	1.72
State and Municipal Securities	13.24	13.62	13.02	14.91	15.90
Other Securities	.46	.51	.51	.66	.56
Trading Account Securities	.87	.25	.24	.39	.39
Total Earning Assets	83.49	83.61	83.52	84.76	83.29
Less Reserve for Loan Losses	.85	.76	.65	.67	.67
Cash and Due from Banks	13.08	12.41	12.47	12.58	14.10
Other Assets	4.28	4.74	4.66	3.33	3.28
Total Assets/Liabilities	100.00%	100.00%	100.00%	100.00%	100.00%
Demand Deposits	28.48%	28.42%	28.60%	30.23%	31.89%
Savings Deposits	21.86	19.07	18.30	20.33	22.43
Certificates—Individuals	14.34	14.01	13.53	12.98	13.02
Certificates—Others	11.41	16.22	17.07	16.44	15.78
Other Time Deposits	.68	.65	.68	.59	.56
Total Deposits	76.77	78.37	78.18	80.57	83.68
Borrowed Funds	11.49	9.69	10.66	8.89	6.08
Capital Notes	.97	.96	.95	1.04	1.15
Debentures	1.21	1.20	1.19	1.30	.82
Other Liabilities	2.86	3.50	3.24	2.42	1.97
Capital	6.70	6.28	5.78	5.78	6.30

Continued

Interest Rates and Interest Differential

	Year Ended December 31,					
	1976			1975		
	Average Balance	Interest & Fees	Average Rate	Average Balance	Interest & Fees	Average Rate
					Dollars in Thousands	
Earning Assets:						
Loans (a)	$1,029,858	$ 93,233	9.05%	$1,160,557	$109,540	9.44%
Taxable Investment Securities	165,016	10,876	6.59	189,166	13,606	7.19
Non-Taxable Investment Securities (b)	274,042	25,575	9.33	283,006	26,669	9.42
Funds Sold	93,198	5,190	5.57	68,499	4,234	6.18
Other	165,657	10,644	6.43	35,641	2,678	7.51
Total Earning Assets	1,727,771	145,518	8.42	1,736,869	156,727	9.02
Interest-Bearing Funds:						
Savings Deposits	$ 452,365	$ 20,626	4.56%	$ 396,096	$ 17,719	4.47%
Other Time Deposits	473,283	28,022	5.92	529,041	34,128	6.45
Deposits in Foreign Offices	59,632	4,037	6.77	99,015	8,237	8.32
Short-Term Debt	232,043	12,296	5.30	193,644	12,073	6.23
Long-Term Debt	50,814	3,353	6.60	52,623	3,446	6.55
Total Interest-Bearing Funds	1,268,137	68,334	5.39	1,270,419	75,603	5.95
Interest Income/Earning Assets			8.42%			9.02%
Interest Expense/Earning Assets			3.96			4.35
Interest Rate Differential			4.46			4.67

Non-accrual loan principal is included in average balances, and cash income received thereon is included in interest income.

(a) *Includes fees on loans of $659,162 in 1976, $695,283 in 1975, $648,494 in 1974, $283,693 in 1973, $328,590 in 1972.*

(b) *Includes tax equivalent adjustment, based on a 48% Federal Income Tax rate, of $12,319,000 in 1976, $12,842,000 in 1975, $12,015,000 in 1974, $11,649,000 in 1973, $10,980,000 in 1972.*

1974			1973			1972		
Average Balance	Interest & Fees	Average Rate	Average Balance	Interest & Fees	Average Rate	Average Balance	Interest & Fees	Average Rate
$1,226,348	$127,964	10.43%	$1,094,959	$ 91,871	8.39%	$ 952,172	$ 67,755	7.12%
149,077	9,624	6.46	152,274	8,578	5.63	150,893	8,533	5.66
273,016	24,984	9.15	287,746	24,246	8.43	275,746	22,841	8.28
59,145	6,230	10.53	70,742	6,340	8.96	33,472	1,732	5.17
43,799	4,375	9.99	30,085	2,489	8.27	32,218	1,792	5.56
1,751,385	173,177	9.89	1,635,806	133,524	8.16	1,444,501	102,653	7.11
$ 383,829	$ 16,650	4.34%	$ 392,435	$ 16,397	4.18%	$ 389,078	$ 15,181	3.90%
525,475	43,090	8.20	474,660	31,051	6.54	408,366	20,847	5.10
116,140	13,115	11.29	93,133	7,745	8.32	91,037	5,396	5.93
213,368	21,409	10.03	168,148	13,659	8.12	100,417	4,713	4.69
55,153	3,583	6.50	48,442	3,234	6.68	39,212	2,067	5.27
1,293,965	97,847	7.56	1,176,818	72,086	6.13	1,028,110	48,204	4.69
		9.89%			8.16%			7.11%
		5.59			4.41			3.34
		4.30			3.75			3.77

Continued

Rate/Volume Analysis

The following table attributes the changes in net interest earnings to changes in the average balances and to fluctuations in the average rates:

	1976 over 1975			1975 over 1974		
	Volume	Rate	Total	Volume	Rate	Total
	In Thousands of Dollars					
Increase (Decrease) in:						
Interest Income (a):						
Loans	$(11,148)	$ (5,159)	$(16,307)	$ (6,167)	$(12,257)	$(18,424)
Taxable Investment Securities	(1,665)	(1,065)	(2,730)	2,735	1,247	3,982
Non-Taxable Investment Securities	(841)	(253)	(1,094)	927	758	1,685
Funds Sold	1,452	(496)	956	782	(2,778)	(1,996)
Other	9,089	(1,123)	7,966	(736)	(961)	(1,697)
Total	(3,113)	(8,096)	(11,209)	(2,459)	(13,991)	(16,450)
Interest Expense:						
Savings Deposits	2,541	366	2,907	540	529	1,069
Other Time Deposits	(3,356)	(2,750)	(6,106)	299	(9,261)	(8,962)
Deposits in Foreign Offices	(2,971)	(1,229)	(4,200)	(1,680)	(3,198)	(4,878)
Short-Term Debt	2,215	(1,992)	223	(1,605)	(7,731)	(9,336)
Long-Term Debt	(118)	25	(93)	(165)	28	(137)
Total	(1,689)	(5,580)	(7,269)	(2,611)	(19,633)	(22,244)
Interest Differential	$ (1,424)	$ (2,516)	$ (3,940)	$ 152	$ 5,642	$ 5,794

(a) *Taxable equivalent basis. The change in interest due to both rate and volume has been allocated 50% to change due to rate.*

Foreign Operations

The distribution of foreign assets by geographic area for the year 1976 is shown below (average month-end balances):

		Due from Banks				
	Loans	Interest Bearing	Non-Interest Bearing	Bankers Acceptances	Other	Total
	In Thousands of Dollars					
Latin America	$ 88,566	$ —0—	$ 38	$1,726	$ 479	$ 90,809
Europe	29,400	25,802	326	1,169	580	57,277
Canada	8	16,972	421	—0—	—0—	17,401
Mid-East and Africa	12,563	—0—	1	142	500	13,206
Asia and Oceania	7,945	—0—	21	3,735	—0—	11,701
Total	$138,482	$42,774	$ 807	$6,772	$ 1,559	$190,394

For purposes of the above presentation, foreign assets are those for which both the obligor and guarantor, where applicable, are domiciled in foreign countries.

While international transactions in some countries involve risks not present in domestic transactions, certain of these risks are reduced by government guarantees. At December 31, 1976, loans included in foreign assets totaled $137,950,000, of which $78,980,000, or 57%, were made to or guaranteed by foreign governments or agencies thereof.

The Corporation's lead affiliate, Central National Bank of Cleveland, regularly trades in foreign currencies for its own account and as a service to its business customers. By policy, the Bank does not maintain a material open position in any currency.

Loans

The table below shows the classification of consolidated loans by major category at December 31 in each of the past five years:

	1976	1975	1974	1973	1972
	In Thousands of Dollars				
Real Estate:					
Residential, 1-4 family	$ 195,050	$ 206,726	$ 219,185	$ 208,837	$ 204,792
Construction and Land Development	11,617	*NA*	*NA*	*NA*	*NA*
Other Real Estate	48,792	61,402	68,190	63,342	59,291
Financial Institutions:					
REIT's and Mortgage Companies	25,402	*NA*	*NA*	*NA*	*NA*
Domestic Commercial Banks	2,970	1,074	82	—0—	—0—
Banks in Foreign Countries	14,731	28,997	53,940	35,130	18,898
Other Depository Institutions	5,919	*NA*	*NA*	*NA*	*NA*
Other Financial Institutions	33,629	114,107	99,746	126,667	80,239
Purchasing or Carrying Securities	3,817	3,579	6,513	20,791	85,657
Farmers	2,329	1,949	1,851	1,722	1,288
Commercial and Industrial Loans	381,502	306,275	401,513	371,796	284,070
Consumer (a)	259,435	262,702	244,468	208,244	165,223
All Other Attributable to Domestic Operations	15,673	11,025	32,024	31,618	94,868
In Foreign Offices (b)	123,429	112,417	116,828	87,662	89,374
Total	$1,124,295	$1,110,253	$1,244,340	$1,155,809	$1,083,700

NA—Not available.

(a) *Includes increases of $26,228,000 in 1973 and $11,440,000 in 1974 from purchase of finance company affiliates.*

(b) *Includes Nassau Branch and Edge Act Subsidiary in New York City.*

Maturity Distribution of Loans

The following table shows the remaining maturities of selected loans at December 31, 1976:

	One Year or Less	Over One Year Through Five Years	Over Five Years	Total
	In Thousands of Dollars			
Domestic:				
Construction, Land Development and Other Real Estate	$ 5,364	$ 18,978	$ 36,067	$ 60,409
Commercial and Industrial	270,826	99,539	11,137	381,502
Other Excluding Consumer Loans and 1-4 Family Residential	83,280	20,973	217	104,470
In Foreign Offices (a)	56,586	41,071	25,772	123,429
Total	$416,056	$180,561	$ 73,193	$669,810

(a) *Includes Nassau Branch and Edge Act Subsidiary in New York City.*

At December 31, 1976, loans with maturities of more than one year totaled $253,754,000 of which $86,812,000 had predetermined interest rates and $166,942,000 had floating rates.

Continued

Supplementary Financial Data *(Continued)*

Non-Performing Loans

Interest income is accrued in the period in which it is earned by bank affiliates and in the period collected by finance company affiliates. Commercial loans are transferred to cash basis status when any payment of interest or principal is more than 30 days past due. At December 31, 1976, all cash basis commercial loans totaled $18,510,000. Interest earned but not collected (and not accrued) on these loans amounted to $1,125,000 at year-end. The $18,510,000 total of such loans equalled 1.6% of total loans. Loans to real estate investment trusts and to mortgage companies are included in the category "commercial loans." Centran did not sponsor a real estate investment trust and has never served in an investment advisory capacity to a real estate investment trust.

Certain commercial loans have been renegotiated with borrowers to provide for a reduction in interest rates, or a deferral of interest payments, as a result of the borrowers' financial condition. These loans are also transferred to cash basis status and totaled $7,189,000 at December 31, 1976. The difference between the interest that would have been accrued at the original contract rates and that which was actually earned amounted to $464,000 in 1976.

Installment loans of bank affiliates are charged off when 90 days contractually delinquent. Installment loans of finance company affiliates are charged off when 210 days contractually delinquent and 60 days delinquent on a recency-of-payment basis. However, all loans 210 days contractually delinquent are fully reserved for regardless of recency-of-payment delinquency. Effectively, installment loans are charged off when they become delinquent with the result that this classification includes no non-accrual loans. Uncollected interest on loans past due 60 days or more amounted to $95,000 at year-end.

Mortgage loans without government guarantees are placed in cash basis status when foreclosure proceedings are instituted—usually when approximately six months delinquent. Cash basis loans in the portfolio mortgage loan classification are negligible. Real estate acquired through foreclosure proceedings on delinquent mortgage loans and asset swaps amounted to $513,000 at year-end.

Continuing attention is devoted to review of loans to assess current risk exposure. As a result of such review, commercial loans of $11,703,000 at December 31, 1976, (not included in cash basis or renegotiated loans mentioned above) have been designated close-attention loans because of general credit considerations, notwithstanding the fact that such loans are accruing interest and payments are current. A thorough review of all loans at year-end indicates that, in our judgment, the valuation reserve is adequate to cover all potential losses presently foreseen.

Reserve for Loan Losses

The provision for loan losses is determined by management based upon loss experience in relation to loans outstanding, modified by a comprehensive quarterly review of the loan portfolio with particular emphasis on problem loans.

	1976	1975	1974	1973	1972
	Dollars in Thousands				
Reserve for Loan Losses:					
Balance at January 1	$ 14,735	$ 13,873	$ 12,008	$ 11,558	$ 11,211
Reserves Acquired by Purchase	267	131	327	470	—0—
Charged to Operating Expense	7,611	12,694	5,839	4,176	3,009
Recoveries	2,839	897	660	605	590
Loans Charged Off	(7,563)	(12,860)	(4,961)	(4,801)	(3,252)
Reserves Sold	(243)	—0—	—0—	—0—	—0—
Balance at December 31	$ 17,646	$ 14,735	$ 13,873	$ 12,008	$ 11,558
Loans:					
Average Loans for the Year	$1,029,858	$1,160,557	$1,226,348	$1,094,959	$ 952,172
Loans Outstanding at December 31	1,124,295	1,110,253	1,244,340	1,155,809	1,083,700
Ratios:					
Net Charge-Offs to Average Loans	.46%	1.03%	.35%	.38%	.28%
Reserve for Loan Losses to Loans Outstanding	1.57	1.33	1.11	1.04	1.07

Analysis of Net Charge-Offs

	1976	1975	1974	1973	1972
	In Thousands of Dollars				
Charge-Offs:					
Installment Loans	$ 2,949	$ 3,039	$ 1,769	$ 1,054	$ 1,311
Portfolio Mortgage Loans	23	110	31	48	3
REIT and Mortgage Company Loans	462	2,072	—0—	—0—	—0—
International Loans	700	428	—0—	463	—0—
Other Commercial Loans	3,429	7,211	3,161	3,236	1,938
Total Charge-Offs	7,563	12,860	4,961	4,801	3,252
Recoveries:					
Installment Loans	740	516	401	357	337
Portfolio Mortgage Loans	2	—0—	15	13	2
REIT and Mortgage Company Loans	14	—0—	—0—	—0—	—0—
International Loans	94	55	—0—	73	—0—
Other Commercial Loans	1,989	326	244	162	251
Total Recoveries	2,839	897	660	605	590
Net Charge-Offs	$ 4,724	$11,963	$ 4,301	$ 4,196	$ 2,662

Allocation of Reserve for Loan Losses

Commencing December 31, 1975, the Corporation has allocated the reserve for loan losses to the amount deemed to be reasonably necessary to provide for the possibility of losses being incurred within the categories of loans set forth in the table below. The amount of such components of the reserve at year-end 1976 and 1975 and the ratio of such reserve amounts to the related outstanding loan balances are as follows:

	December 31, 1976		December 31, 1975	
	Reserve Amount	Ratio/Reserve to Loans Outstanding	Reserve Amount	Ratio/Reserve to Loans Outstanding
	Dollars in Thousands			
Commercial Loans	$12,946	2.00%	$10,035	1.61%
Installment Loans	4,000	1.73	4,000	1.74
Portfolio Mortgage Loans	700	.28	700	.27
Total	$17,646	1.57%	$14,735	1.33%

Commitments and Lines of Credit

The Banks extend lines of credit to corporations. Such lines of credit represent commitments to provide short-term draws—usually 90-day loans. Typically, such loans are for seasonal working-capital purposes and repayment of such loans is anticipated at maturity.

Lines of credit are extended to corporate borrowers on an annual basis and are subject to review following the company's fiscal year-end. Generally, fees are not charged for lines of credit.

Deposits

The table below shows average deposits by major classifications for each of the past five years:

	1976	1975	1974	1973	1972
	In Thousands of Dollars				
Domestic:					
Demand Deposits	$ 489,913	$ 493,716	$ 497,880	$ 497,478	$ 482,330
Savings Deposits	452,365	396,096	383,829	392,435	389,078
Time Under $100,000	297,245	273,981	259,622	278,972	252,768
Time $100,000 or More	190,022	268,569	280,117	207,092	165,320
In Foreign Offices (a)	159,181	195,807	217,974	179,071	161,839
Total Deposits	$1,588,726	$1,628,169	$1,639,422	$1,555,048	$1,451,335

(a) *Includes Nassau Branch and Edge Act Subsidiary in New York City.*

The following table sets forth, by time remaining to maturity, domestic time deposits in amounts of $100,000 or more at December 31, 1976:

	December 31, 1976
	In Thousands of Dollars
Three Months or Less	$ 93,093
Over Three Thru Six Months	41,227
Over Six Thru Twelve Months	21,903
Over One Year	1,211
Total	$157,434

BALANCE SHEET—December 31, 1976

	BANK AFFILIATES				
	Central National Bank	*Centran Bank of Akron*	*Richland Trust*	*Farmers and Savings Bank*	*Sutton State Bank*
Assets	In Thousands of Dollars				
Earning Assets:					
Commercial Loans	$ 600,402	$ 24,686	$ 15,854	$ 3,166	$ 3,086
Installment Loans	138,000	27,239	9,861	1,490	1,422
Portfolio Mortgage Loans	142,352	63,317	29,018	6,246	4,894
	880,754	115,242	54,733	10,902	9,402
Less Reserve for Loan Losses	15,173	104	808	76	69
Net Loans	865,581	115,138	53,925	10,826	9,333
Funds Sold	137,641	—0—	2,700	4,000	—0—
Due from Banks—Time	306,197	—0—	—0—	—0—	—0—
U.S. Treasury Securities	28,375	32,476	17,978	2,918	2,600
Federal Agency Securities	—0—	13,478	7,791	—0—	—0—
State and Municipal Securities	231,830	20,346	12,731	3,564	1,894
Other Securities	4,781	1,651	—0—	—0—	—0—
Trading Account Securities	117,533	—0—	—0—	—0—	—0—
Total Earning Assets	1,691,938	183,089	95,125	21,308	13,827
Cash and Due from Banks	232,170	6,948	5,607	1,276	394
Premises and Equipment	13,177	3,851	1,963	445	107
Customers' Liability on Acceptances	27,026	—0—	—0—	—0—	—0—
Other Assets	22,378	1,989	843	191	176
Total Assets	$1,986,689	$195,877	$103,538	$23,220	$14,504
Liabilities					
Deposits	$1,449,464	$173,448	$ 90,521	$21,313	$12,939
Borrowed Funds	346,992	1,750	4,035	—0—	400
Capital Notes	20,000	—0—	600	—0—	—0—
Liability on Acceptances	27,135	—0—	—0—	—0—	—0—
Other Liabilities	14,632	1,233	820	216	159
Total Liabilities	1,858,223	176,431	95,976	21,529	13,498
General Reserve	—0—	8,139	—0—	—0—	—0—
Capital:					
Common Stock	26,797	4,473	1,457	300	146
Surplus	55,204	5,527	4,543	700	504
Retained Earnings	46,465	1,307	1,562	691	356
Total Capital	128,466	11,307	7,562	1,691	1,006
Total Liabilities, Reserve and Capital	$1,986,689	$195,877	$103,538	$23,220	$14,504

FINANCE COMPANY AFFILIATES—COMBINED

BALANCE SHEET—December 31, 1976

Assets	In Thousands of Dollars
Installment Loans:	
COLONIAL FINANCIAL SERVICE, INC.	$15,246
MAJOR FINANCE CORPORATION	8,748
PEOPLES INVESTMENT COMPANY	22,143
PROTECTIVE LOAN CORPORATION	7,124
Total Installment Loans	53,261
Less Reserve for Loan Losses	1,416
Net Loans	51,845
Cash and Due From Banks	3,251
Other Assets	7,850
Total Assets	$62,946
Liabilities	
Borrowed Funds:	
Short-Term	$40,937
Long-Term	8,534
Total Borrowed Funds	49,471
Other Liabilities	2,899
Capital	10,576
Total Liabilities and Capital	$62,946

Year 1976

STATEMENT OF INCOME

Interest Income	$ 9,510
Interest Expense	3,300
Interest Differential	6,210
Other Income	819
Income Net of Interest Expense	7,029
Salaries and Employee Benefits	2,670
Provision for Loan Losses	643
Other Expenses	2,487
Total Operating Expenses	5,800
Income Before Taxes	1,229
Federal Income Taxes	402
Net Income	$ 827

Officers and Directors

Centran
Corporation

Officers

John A. Gelbach—*Chairman and President*
Chairman and Chief Executive, Central National Bank of Cleveland

Charles S. Lawrence III—*Vice President*
President, Central National Bank of Cleveland; President, Central Cleveland International Bank

Thomas W. Harris—*Treasurer*
Senior Vice President and Controller, Central National Bank of Cleveland; Treasurer, Central Cleveland International Bank

Gordon J. Sevold—*Assistant Treasurer*
President, Investors Income Insurance Company; Vice President, Protective Loan Corporation

Hubert P. Martin—*Secretary*
Vice President and Counsel, Central National Bank of Cleveland; Secretary, Central Cleveland International Bank

Richard H. Braucher—*Assistant Secretary*
Associate Counsel and Secretary, Central National Bank of Cleveland

Directors

John A. Gelbach
Chairman and President, Centran Corporation

Joseph A. Boyd
President, Harris Corporation, manufacturer of communications and information handling equipment

Gregory S. DeVine
Chairman, Board of Directors, Baltimore & Ohio Railroad; Chairman, Board of Directors, Western Maryland Railway; Director and Member of Executive Committee, Chessie System, Inc.

Frederick R. Eckley
Former President, The Ohio Bell Telephone Company

Robert L. Fairbank
Former President, Towmotor Corporation, manufacturer of industrial trucks

William F. Hauserman
President, Hauserman, Inc., manufacturer of movable walls, cabinetry and accessories for commercial, industrial and school buildings

J. Robert Killpack
Executive Vice President–Finance, Eaton Corporation, manufacturer of automotive, materials handling and industrial and consumer products

Charles S. Lawrence III
Vice President, Centran Corporation

George S. Lockwood, Jr.
Managing Partner, Ohio Gas and Oil Development Co., developer of natural gas and petroleum reserves

John J. Loftus
Executive Vice President, Republic Steel Corporation, manufacturer of steel

Morton L. Mandel
Chairman of the Board and Chief Executive Officer, Premier Industrial Corporation, manufacturer and supplier of industrial maintenance products, firefighting accessories and electronic components

Harry T. Marks
Former Chairman of the Board and Chief Executive Officer, Ferro Corporation, a diversified, multinational manufacturer of specialty materials for industry

Robert D. McCreery
President, H. L. McCreery and Son, Inc., industrial distributor

Thomas J. Quigley
Partner, Squire, Sanders & Dempsey, Attorneys at Law

Thomas A. Quintrell
Partner, Arter & Hadden, Attorneys at Law

Karl H. Rudolph
President and Chief Executive, The Cleveland Electric Illuminating Co., electric utility

Donald G. Stevens
Senior Vice President, The Standard Oil Company (Ohio), integrated oil company

Renold D. Thompson
Executive Vice President—Operations, Oglebay Norton Company, mining of iron ore, coal, and silica sand, transportation and cargo dock service on the Great Lakes, and specialized services and products to the steel industry

Ernest M. Wuliger
President, Ohio-Sealy Mattress Manufacturing Co., bedding manufacturer

Nominees for election at 1977 Annual Meeting:

Otes Bennett, Jr.
President and Chief Executive, The North American Coal Corporation, mining and marketing of coal

Albert M. Higley, Jr.
Chairman, The Albert H. Higley Company, general contractor

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